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(54) Title: DYNAMICALLY EVALUATING AN ELECTRONIC COMMERCE BUSINESS MODEL THROUGH CLICK STREAM ANALYSIS

(57) Abstract: A system and method for dynamically evaluating an electronic commerce business model (37) through click stream analysis is disclosed. An electronic commerce business model (37) is incorporated into a Web site (60). The Web site (60) includes a plurality of related Web pages (32) structured in a hierarchical manner. Each Web page (32) includes one or more hyperlinks (50) selectable by a user. A plurality of data vectors (80) is stored. Each data vector (80) represents a click stream path (50) through the Web site (60). Each data vector (80) includes a set of data entries (81) that each corresponds to Web content selected via the hyperlinks (50) in the related Web pages (32). Each click stream path (50) is classified based on at least one such data entry (81) in the data vector (80). The classified click stream path (50) shares at least one common characteristic with one or more other click stream paths (50). The classified click stream paths (50) are analyzed according to a pre-defined evaluation procedure directed at determining at least one of efficacy of presentation and shifts in demography. The electronic commerce business model (37) is compared to the classified click stream paths analysis.



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5 **DYNAMICALLY EVALUATING AN ELECTRONIC COMMERCE
BUSINESS MODEL THROUGH CLICK STREAM ANALYSIS**

TECHNICAL FIELD

The present invention relates in general to dynamic click stream analysis and, in particular, to a system and method for dynamically evaluating
10 an electronic commerce business model through click stream analysis.

BACKGROUND OF THE INVENTION

The methods and means for transacting commerce continue to evolve in close step with technological advances. For instance, the traditional ways of selling goods and services, the so-called "brick and mortar" approach, have
15 expanded into remote sales through mail order and telephonic catalog sales and television-based shopping "networks." Electronic commerce ("e-commerce") presents the latest approach to transacting remote sales and related commerce.

E-commerce is primarily computer network-based and requires a three-
20 part support infrastructure. First, individual consumers must have some form of client computer system, such as a personal computer typically executing a browser application. Second, businesses must field a host computer system executing a server application and an associated database. The database ordinarily stores information on the goods and services offered. Finally, the
25 host computer system must be interconnected to each client computer system via a data network or similar form of interconnectivity. The data network can include intranetworks, also known as local area networks, and wide area networks, including public information internetworks, such as the Internet, and any combination thereof.

30 Most e-commerce systems are Web-based. Typically, the host computer system executes a server application for presenting a Web site that creates a virtual, user-readable "storefront." The storefront is actually a series of downloadable Web pages structured in a hierarchical manner with

embedded hyperlinks connecting to other related Web pages and content. The Web site is organized as a catalog of goods and services and includes means for secure purchasing. During operation, consumers transact commerce in a purchasing session consisting of requests for Web pages sent to and replies
5 received from the host computer system.

E-commerce differs from traditional commerce means in several respects. Unlike traditional methods, the bulk of interaction between the consumer and vendor is through an impassive computer system and there is generally little to no opportunity to offer person-to-person, individualized
10 sales and service. As well, the immediacy of purchasing and ease of comparison shopping results in low customer loyalty. Moreover, competitive drivers short-circuit the selling process by pro-actively soliciting sales with targeted specials sold at low margins. These competitive drivers work to entice a consumer to visit a competing vendor's Web site, potentially resulting
15 in lost sales. E-commerce vendors attempt to address these differences by incorporating presentation and demographic business models into their Web sites.

Presentation models describe the physical layout and functionality of a virtual storefront. Presentation models are the Web-based equivalent of
20 conventional consumer marketing. However, the effectiveness of a presentation model is difficult to judge due to the lack of subjective customer feedback. Conventional measurement methodologies for brick-and-mortar storefronts fail to provide sufficient an adequate solution. For instance, sales volumes and repeat Web site visits only partially reflect a Web site's
25 effectiveness. Incomplete transactions and failed product searches are typically not measured nor analyzed yet could provide valuable insight into a Web site's effectiveness.

The demographic model implements the actual sales model based on statistical and behavioral models of measured and predicted consumer buying
30 habits. Conventionally, demographic data is fairly static and is generally collected and processed periodically to determine consumer behavioral and purchasing trends. Demographic analysis is performed generally through applied artificial intelligence and statistical modeling. Persuasive factors and dependent variables are identified and weighed and, if necessary, new

demographic models are built. However, e-commerce-based demographics tend to fluctuate much more rapidly than conventional demographics and periodic processing can result in lost sales volume. Depending upon the e-commerce Web site, both presentation and demographic models can age at an
5 unknown rate.

In the prior art, click stream analysis has been used to evaluate their business models. Theoretically, every consumer's visit can be tracked, step-by-step, by collecting and storing the "click stream" of Web pages and content selections made during a given visit to the vendor's Web site. These click
10 streams can be analyzed to determine purchasing trends and consumer behaviors. However, click stream analysis has historically not been performed due to the extremely high volume of traffic. Moreover, the off-line processing techniques used to evaluate demographic models are based on relatively static data sets. Such processing techniques are slow and ill-suited for dynamic e-
15 commerce applications.

Therefore, there is a need for an approach to dynamically analyzing and evaluating business models incorporated into e-commerce Web sites. Preferably, such an approach would utilize click stream data representing a path through a Web site. Such an approach could be used to validate
20 presentation and demographic models in a responsive, potentially near real-time manner.

There is a further need for an approach to collecting and analyzing large data sets of on-line streams of Web page and content selections. Such an approach could be used to form structured data sets amenable to conventional
25 data mining techniques.

DISCLOSURE OF INVENTION

The present invention provides a system and method for evaluating an e-commerce business model through on-the-fly click stream analysis. Click streams are collected and analyzed concurrent to on-going Web server
30 operations. Each click stream records a path through the e-commerce Web site representing the selections of Web pages and content made by visiting consumers. The click stream paths are stored as data vectors, preferably reduced in size, and classified. The click stream paths are then analyzed using

analytical processing and data mining techniques and the e-commerce business models are validated. If necessary, new models are generated.

An embodiment of the present invention is a system and method for transacting electronic commerce via a hierarchically structured Web site with
5 click stream feedback. A plurality of individual Web pages structured in a hierarchical manner as a Web site are served. Each Web page includes one or more hyperlinks selectable by a user to provide at least one of another Web page and content. A click stream for each user session on the Web site is collected. The click stream includes data entries recording one or more of the
10 hyperlinks selected during the user session. Each collected click stream is processed. The collected click stream are classified into one or more pre-defined categories describing characteristics shared by a plurality of the click streams. The collected click stream are analyzed. One or more structured queries are executed on the collected click streams based on at least one of the
15 data entries and the shared characteristics. Alternatively or in addition thereto, data mining is performed on the collected click streams by assigning an independent variable and at least one dependent variable and determining the relative weightings thereon.

A further embodiment of the present invention is a system and method
20 for dynamically evaluating an e-commerce business model through click stream analysis. An e-commerce business model is incorporated into a Web site. The Web site includes a plurality of related Web pages structured in a hierarchical manner. Each Web page includes one or more hyperlinks selectable by a user. A plurality of data vectors is stored. Each data vector
25 represents a click stream path through the Web site. Each data vector includes a set of data entries that each corresponds to Web content selected via the hyperlinks in the related Web pages. Each click stream path is classified based on at least one such data entry in the data vector. The classified click stream path shares at least one common characteristic with one or more other
30 click stream paths. The classified click stream paths are analyzed according to a pre-defined evaluation procedure directed at determining at least one of efficacy of presentation and shifts in demography. The e-commerce business model is compared to the classified click stream paths analysis.

Still other embodiments of the present invention will become readily apparent to those skilled in the art from the following detailed description, wherein is described embodiments of the invention by way of illustrating the best mode contemplated for carrying out the invention. As will be realized, the invention is capable of other and different embodiments and its several details are capable of modifications in various obvious respects, all without departing from the spirit and the scope of the present invention. Accordingly, the drawings and detailed description are to be regarded as illustrative in nature and not as restrictive.

DESCRIPTION OF THE DRAWINGS

FIGURE 1 is a block diagram showing a distributed computing environment, including a system for dynamically evaluating an e-commerce business model through click stream analysis, in accordance with the present invention.

FIGURE 2 is a detail block diagram showing the system for dynamically evaluating an e-commerce business model through click stream analysis of FIGURE 1.

FIGURE 3 is a flow diagram showing a sample e-commerce order processing sequence.

FIGURE 4 is a tree diagram showing, by way of example, a set of potential click stream paths through a hierarchically structured Web site.

FIGURE 5 is a block diagram showing, by way of example, a data path vector.

FIGURE 6 is a table diagram showing, by way of example, a matrix of demographic data values.

FIGURE 7 is a block diagram showing the functional software modules of the server of FIGURE 2.

FIGURE 8 is a flow diagram showing a method for dynamically evaluating an e-commerce business model through click stream analysis in accordance with the present invention.

FIGURE 9 is a flow diagram showing a routine for collecting and analyzing click streams for use in the method of FIGURE 8.

FIGURE 10 is a flow diagram showing a routine for reducing data vector sizes for use in the method of FIGURE 9.

FIGURE 11 is a flow diagram showing a routine for classifying a click stream path for use in the method of FIGURE 9.

FIGURE 12 is a flow diagram showing a routine for analyzing data stream paths for use in the method of FIGURE 9.

5 FIGURE 13 is a flow diagram showing a routine for validating e-commerce business models for use in the method of FIGURE 9.

BEST MODE FOR CARRYING OUT THE INVENTION

FIGURE 1 is a block diagram showing a distributed computing environment 9, including a system 10 for dynamically evaluating an e-commerce business model through click stream analysis, in accordance with
10 the present invention. The system 10 consists of a server 11 operating on a host computer system that serves Web pages and content to a plurality of clients.

Various types of clients can be interconnected to the server 11. These
15 clients include a local client 12 interconnected directly to the server 11 and a dial-in client 13 interconnected via a set of modems 14. In addition, a network client 15 can be interconnected through an Internet service provider (ISP) 16 that is interconnected to the server 11 via an internetwork 17, including the Internet. Similarly, one or more local area network (LAN) clients 18 can be
20 interconnected to the server 11 via an intranetwork 19 that is itself interconnected to the internetwork 17 via a router 20 or similar device. Other types of clients, network topologies and configurations, and forms of interconnection are feasible.

In addition to performing those tasks ordinarily associated with hosting
25 network services, the server 11 executes two principal applications: an active server presentation (ASP) server 21 and a click stream analyzer 22. The ASP server 21 functions as the primary interface to the individual clients through a dynamically generated virtual "storefront" for transacting e-commerce. The server 11 includes a secondary storage device 23 in which databases 24 and
30 ancillary files 25 are maintained. The databases 24 and ancillary files 25 are further described below with reference to FIGURE 2.

The virtual storefront is implemented as a Web site that is accessible to the clients over the "Web." The Web, shorthand for "Worldwide Web," loosely refers to session-oriented data communications occurring in a

networked computing environment and conforming to the Hypertext Transport Protocol (HTTP). HTTP communications usually occur over Transmission Control Protocol/Internet Protocol-based (TCP/IP) data networks, although other types of packet switched data networks also support HTTP. The HTTP suite is described in W.R. Stevens, "TCP/IP Illustrated," Vol. 3, Chs. 13-14, Addison-Wesley (1996), and the TCP/IP suite is described in W.R. Stevens, "TCP/IP Illustrated," Vol. 1, Ch. 1 et seq., Addison-Wesley (1994), the disclosures of which are incorporated herein by reference.

The virtual storefront Web site is organized as a catalog of goods and services. Preferably, the Web site includes means for making secure purchases. The Web site consists of a series of dynamically generated, individually downloadable Web pages. The Web pages are structured in a hierarchical manner. Consumers navigate through the Web site by selecting linked Web pages and content using the embedded hyperlinks via a browser application 26. Browser applications 26 suitable for use in the present invention include the Internet Explorer, licensed by Microsoft Corporation, Redmond, Washington, and the Navigator, licensed by Netscape Corporation, Mountain View, California.

Each Web page or content selection by a consumer constitutes a "Click," that is, an affirmative selection of a linked item or action specified via a client input means, such as a keyboard, mouse or similar input device. The series of selections made by a consumer during any given e-commerce session constitutes a click stream. The click streams for the population of consumers visiting a vendor Web site are analyzed by a click stream analyzer 22 for use in dynamically evaluating e-commerce business models, as further described below with reference to FIGURE 2.

The individual computer systems, including the server 11 and clients 12, 13, 15, 18, are general purpose, programmed digital computing devices consisting of a central processing unit (CPU), random access memory (RAM), non-volatile secondary storage, such as a hard drive or CD ROM drive, network interfaces, and peripheral devices, including user interfacing means, such as a keyboard and display. Program code, including software programs, and data are loaded into the RAM for execution and processing by the CPU and results are generated for display, output, transmittal, or storage.

FIGURE 2 is a detail block diagram showing the system 10 for dynamically evaluating an e-commerce business model through click stream analysis of FIGURE 1. There are seven main sets of databases 24: cookies 31, active server page (ASP) scripts and Web pages 32, catalog 33, order fulfillment 34, demography 35, click streams 36, and models 37. The ASP server 21 uses the cookies 31, active server page (ASP) scripts and Web pages 32, catalog 33, order fulfillment 34 databases. The click stream analyzer 22 uses the demography 35, click streams 36, and models 37 databases. In the described embodiment, the databases operate under a relational database management system, such as Oracle 7, licensed by Oracle Corporation, Redwood Shores, California.

The cookies database 31 stores user profile information on individual clients indexed by a unique set of "cookies." Each cookie is a unique, 256-byte data value assigned to registered consumers. Individual cookies are stored by the browser applications 26 (shown in FIGURE 1) and sent to the server 11 at the start of a transaction session. On most browser applications 26, cookies are optional. However, when enabled, cookies can allow personal and demographic information to be linked dynamically to a given consumer instead of generic consumer information.

The ASP scripts and Web pages ("scripts") database 32 stores the virtual storefront. The ASP server 21 (shown in FIGURE 1) generates the individual Web pages and content for the Web site. The ASP server 21 executes the ASP scripts and Web page code stored in the scripts database 32. The ASP server 21 interprets server-executable ASP scripts embedded within default Web pages to customize the Web page to each consumer based on the demographic model 38 and presentation model 39. Each Web page is written as a script in a tag-delimited, page description programming language, such as the Hypertext Markup Language (HTML) or the Extensible Markup Language (XML). Each Web page preferably includes embedded hyperlinks connecting that Web page to other related Web pages and content, such as files, images, dialogue boxes, and the like.

In the described embodiment, the Active Server Page technology, licensed by Microsoft Corporation, Redmond, Washington, is used. Upon execution by the ASP server 21, the ASP scripts are converted into pure Web

content, typically written in HTML or XML. In the described embodiment, the Active Server Pages are written as either JavaScripts or VBScripts, both of which are described in A.K. Weissinger, "ASP in a Nutshell, A Desktop Quick Reference," Chs. 1-3, O'Reilly & Assocs. (1999), the disclosure of which is
5 incorporated herein by reference.

The catalog database 33 stores information about the goods and services offered by the vendor. The ASP server 21 incorporates this information into Web pages. Similarly, the order fulfillment database 34 stores information necessary to complete an order placed by a consumer. This
10 information can include individual consumer data, shipping options and rates, tax rates, and related data necessary to completing a transaction.

The demography database 35 stores consumer demographic information, both on an individualized and categorical basis. Demographic information is relatively stable information with changes at a slow rate. Such
15 information can include the age, income, personal traits, and geographic location for a consumer, as well as statistically derived information about other consumers sharing the same relative characteristics. Demographic information can be purchased from data research companies as well as derived by the vendor based on an analysis of buying trends on their Web site.

20 The click streams database 36 stores data vectors representing click streams. One click stream is created per consumer session. Each selection made by a consumer, that is, each "click," is recorded as a data entry in a data vector, as further described below with reference to FIGURE 5. A selection can correspond to a Web page or content, as identified by a Uniform Resource
25 Locator (URL).

The models database 37 includes two ancillary files 25, demographic model 38 and presentation model 39. These models are the e-commerce business models used by a vendor and are incorporated into a Web site through execution of the ASP scripts and Web page code. The demographic
30 model 38 implements assumptions on consumer behavior derived through artificial intelligence and statistical modeling techniques, as are known in the art. The demographic model 38 is structured into categories that are tied to individual consumers through the cookies database 31.

The presentation model 39 implements the actual appearance and functionality of a Web site. The presentation model 39 defines Web page organization and format, as well as implements searching strategies and ease-of-use issues.

5 FIGURE 3 is a flow diagram showing a sample e-commerce order processing sequence 50. In this sample sequence, a client 51 transacts an order with a vendor executing an e-commerce Web site on the server 11. At the outset of a session, a browser application 26 (shown in FIGURE 1) executing on the client 51 sends a cookie to the server 11 (operation ①) that
10 retrieves a user profile from the cookies database 31 (not shown). Based on retrieved user profile (operation ②), the demographic information for that consumer and the demographic and presentation models are retrieved from the demography database 35 and models database 37 (operation ③). The server generates Web pages that are served to the consumer (operation ④).

15 The remainder of the order processing sequence is determined by user selections ("clicks"). Each user selection (operation ④) is stored in a vector created for the session in the click streams database 36 and, in response, appropriate Web pages and content are returned (operation ⑤). For instance, if the consumer sends a request for product information (operation ⑥) or
20 executes a search, a list of consumer information is retrieved from the catalog database 33(operation ⑦), or similar content is returned to the consumer. Analogously, if the consumer places an order (operation ⑧), individualized user data and business transaction information is retrieved from the order fulfillment database 34 (operation ⑨). This sequence of operations is
25 repeated, in full or in part, for each consumer ordering session and a click stream vector is stored for dynamically analyzing the underlying e-commerce business models, as further described below with reference to FIGURE 8 et seq.

30 FIGURE 4 is a tree diagram showing, by way of example, a set of potential click stream paths 60 through a hierarchically structured Web site. Each node in the tree represents a Web page identified by a unique URL and the lines connecting the nodes represent selections ("clicks"). For instance, a company named "Acme Corporation" might have a Web site with a Welcome page having the URL of "http://www.acme.com/home.htm." A consumer

would enter this URL into the browser application 26 (shown in FIGURE 1) and a request for that page, including a cookie, would be sent to the server 11. In reply, the server would generate a customized Welcome page and serve that Web page to the browser application 26.

5 The first sample click stream path (nodes 61-65) illustrates a product purchase. Briefly, a product purchase ordinarily requires placing a product (or service) into a temporary holding bin, sometimes called a "shopping basket," for the session, editing the order, verifying consumer information, and transacting the purchase. Thus, upon receiving the customized Welcome page
10 (node 61), a consumer would place an item for purchase into the shopping basket by selecting a Basket page (node 62). Upon completion of shopping, the consumer would review all of the items selected for purchase by selecting an Order page (node 63). The consumer would verify the selected items by selecting a Verify page (node 64). Finally, the consumer would transact the
15 purchase by selecting a secure Buy page (node 65).

 The second sample click stream path (nodes 61, 66-68) illustrates an incomplete product purchase. Briefly, an incomplete product purchase occurs whenever a session ends without the consumer transacting a purchase. This scenario covers an almost unlimited set of potential click stream paths, but the
20 most common path generally involves a failed product search. Thus, upon receiving the customized Welcome page (node 61), a consumer might begin by searching for a particular item using a Search page (node 66). After several rounds of unsuccessful searching, the consumer would decline purchasing products by selecting a No Order page (node 67) and would then resume
25 "browsing" of the Web site by selecting a general purpose Shopping page (block 68) offered via a hyperlink to the Welcome page.

 The third sample click stream path (nodes 61, 69) illustrates cross sales. Cross sales reflects business affiliations between separate business entities and are affected by embedding hyperlinks to an affiliated Web site into
30 their respective Web sites. Thus, as before, upon receiving the customized Welcome page (node 61), a consumer might immediately decide to jump to an affiliated Web site by selecting a Link page (node 69).

The foregoing click stream paths are merely illustrative and countless variations of click stream paths, including paths that include pushed Web content originating from the server 11 without user selection, are feasible.

FIGURE 5 is a block diagram showing, by way of example, a data path vector 80. This data path vector 80 stores the second sample click stream path (nodes 61, 66-68) of FIGURE 4 as a set of data entries 81-86. Each data entry corresponds to the URL of the Web content upon each successive "click." Thus, the Welcome page (node 61) is stored as data entry 81. Assuming the consumer selected the Search page three times (node 66) before giving up, each search attempt would be stored as in successive data entries 82-84. Similarly, the No Order page (node 67) and Shopping page (node 68) would be stored as data entries 85 and 86, respectively.

Each data vector 80 is stored in the click streams database 36 (shown in FIGURE 2). Note the full URL need not be stored. The volume of data generated by storing every click stream path for every consumer can quickly add up. Consequently, only that descriptive information minimally required to uniquely identify each Web page need be stored in the data path vector 80.

FIGURE 6 is a table diagram showing, by way of example, a matrix of demographic data values 90. These values quantify demographic information and consist of an independent variable 97 and one or more dependent variables 91-96. A plurality of records 98 are generated over time for detecting shifts in the relative weightings of these variables using data mining techniques, as further described below with reference to FIGURE 13.

By way of example, two data records are shown. The independent variable 97 reflects the total amount of money spent (*Total \$*) and the dependent variables reflect the total amount of money spent on books (*Book \$*), videos (*Video \$*), music (*Music \$*), and affiliates (*Partner \$*). In addition, the entry point (*EP*) to the Web site is included as a dependent variable. Based on the weightings generated for June 1, 2000 (record 99), book revenue has the strongest influence on total sales while affiliate revenue has the least. However, the weightings generated for July 1, 2000 (record 100) reflect a shift in the relative effect of book revenue to a shared influence between book and video revenue. Other matrices and statistical weighting models, including tree, multidimensional and neural network models, are feasible.

FIGURE 7 is a block diagram showing the functional software modules of the server 11 of FIGURE 2. Each module is a computer procedure or program written as source code in a conventional programming language, such as the C++ programming languages, and is presented for execution by the CPU as object or byte code, as is known in the art. The various implementations of the source code and object and byte codes can be held on a computer-readable storage medium or embodied on a transmission medium in a carrier wave. The server 11 operates in accordance with a sequence of process steps, as further described below beginning with reference to FIGURE 8.

The click stream analyzer 22 consists of five main modules: data reduction 111, classification 112, analyzer 113, comparison and validation 114, and modeler 115. The data reduction module 111 helps to minimize the size of click stream paths stored in the click streams database 35 (shown in FIGURE 2) by compressing and generating inferences. The classification module 112 categorizes the individual click stream paths into pre-defined classes. The analyzer module 113 consists of an analytical processing submodule 116 and data mining submodule 117. These modules respectively execute pre-defined queries and statistical analyses on the data maintained in the click streams database 35. The comparison and validation module 114 compares the results of the analyzer module 113 to the demographic models 38 and presentation models 39 and the validation module 114 determines whether these models are still valid or require further evaluation. Finally, the modeler module 115 generates new demographic and presentation models.

The ASP server 21 consists primarily of an interpreter 118 for executing the ASP scripts embedded within Web page code. The interpreter 118 executes any ASP scripts encountered while requested Web pages are being served. The results of the ASP script executions are forwarded to the requesting browser applications 26 (shown in FIGURE 1) as ordinarily Web page code, generally consisting of plain HTML or XML.

FIGURE 8 is a flow diagram showing a method for dynamically evaluating an e-commerce business model through click stream analysis 130 in accordance with the present invention. The method 130 operates in two phases. During the first phase, initialization (block 131), the ASP server 21

and click stream analyzer 22 (both shown in FIGURE 1) are booted and initialized.

During the second phase, operation, e-commerce transactions are processed and tracked in two iterative threads of execution (blocks 132-135).

- 5 In a first thread, the server 11 executes ASP scripts and serves Web pages (block 133) in response to consumer requests. In a second thread, click streams are collected and analyzed (block 134), as further described below with respect to FIGURE 9. The threads (blocks 132-135) execute continuously until the method 130 terminates, either upon the processing of a
10 last incoming request or upon the receipt of a terminate signal.

- FIGURE 9 is a flow diagram showing a routine for collecting and analyzing click streams 140 for use in the method of FIGURE 8. The purpose of this routine is to store data streams paths as data vectors 80 (shown in FIGURE 5) and process those stored paths. Each click steam through the Web
15 site for each session is stored as a data vector 80 (block 141). In turn, the data vectors 80 are stored in the click streams database 36 (shown in FIGURE 2). The size of each data vector 80 is reduced to (block 142), as further described below with reference to FIGURE 10. Each click stream path is then classified according to pre-defined user categories (block 143) and analyzed (block 144),
20 as further described below with reference to FIGURES 11 and 12, respectively. Finally, the e-commerce business models incorporated into the Web site are validated (block 145), as further described below with reference to FIGURE 13. If the e-commerce business models need to be rebuilt, as apparent from behavioral shifts or changes in weightings of dependent
25 variables (block 146), new models are generated (block 147). Preferably, quantitative thresholds indicate when the models need to be rebuilt, but other measures are feasible. The new models are created using the same methodologies with which they were originally built, but using the updated demographic information stored in the demography database 35 (shown in
30 FIGURE 2). The methodologies for building demographic models 38 and presentation models 39 are known to those skilled in the art. If there are more consumer sessions (block 148), processing continues as before (blocks 141-147). Otherwise, the routine returns.

FIGURE 10 is a flow diagram showing a routine for reducing data vector sizes 160 for use in the method of FIGURE 9. The purpose of this routine is to help minimize the storage requirements of the data vectors 80. Reducing the data vector sizes is an optional step, but helps to minimize the storage requirements needed for storing the data vectors generated by every consumer transaction session. Each data path vector 80 is retrieved from the click streams database 36 (block 161) and reduced in size by compression (blocks 162-166) or inference (blocks 167-169).

Compression removes repeated data entries from each data vector 80. For example, the data entries for the Search page 82-84 in the data path vector 80 of FIGURE 5 can be compressed into a single data entry for the Search page. Thus, if the retrieved data vector 80 is to be compressed (block 162), the next data entry in the data vector 80 is obtained (block 163). If the data entry is repeated (and is not the first occurrence of that particular URL) (block 164), the data entry is removed from the data vector 80 (block 165). Compression is repeatedly performed on each remaining data entry in the data vector 80 (block 166).

Inference summarizes a data vector 80 into a succinct set of descriptors, such as, "cause and effect," "offer and acceptance," "completed order versus entry point," and the like. More precisely, an example of a "cause and effect" inference would be maintaining a tally of the number of searches performed before a purchase is made. An example of an "offer and acceptance" inference would be grouping data vectors 80 based on whether a consumer made a purchased based on a solicited sale. Finally, an example of a "completed order versus entry point" inference would be tracking those entry points into a Web site from which a purchase is ultimately made. Thus, if the retrieved data vector 80 is to be inferred (block 167), a list of inferences, preferably maintained as an ancillary file 25 (shown in FIGURE 1), is retrieved (block 168) and all appropriate inferences are generated (block 169).

If there are more data path vectors (block 170), processing continues as before (blocks 161-169). Otherwise, the routine returns.

FIGURE 11 is a flow diagram showing a routine for classifying a click stream path 180 for use in the method of FIGURE 9. The purpose of this routine is to categorize each data stream path according to a user-defined set

of categories and makes the data stream paths more amenable to data mining, as further described below with reference to FIGURE 12. Unlike generating inferences, this routine does not attempt to reduce the data vector sizes.

Rather, each data path vector 80 is retrieved from the click streams database 36
 5 (block 181) and classified by category (block 182). In the described embodiment, the click stream paths are classified into ten main categories, as follows:

- (1) Completed order (block 183): click stream paths ending with a product or service purchase.
- 10 (2) Length (block 184): number of "clicks" in the click stream path.
- (3) Booleans (block 185): based on whether a given condition exists within the click stream path, such as whether a particular search engine or tool was used.
- 15 (4) Cross sales (block 186): consumer entered the Web site from an affiliate Web site.
- (5) Aborted order (block 187): click stream paths ending without a product or service purchase.
- (6) Entry point (block 188): initial Web site in data stream path.
- 20 (7) Exit point (block 189): last Web site in data stream path.
- (8) Product (block 190): type of product (or service) purchased, if any.
- (9) Styles (block 191): style of product (or service) purchased, if any.
- 25 (10) Searched by (block 192): search categories used.

Other classification categories are feasible. If there are more data path vectors (block 193), processing continues as before (blocks 181-192). Otherwise, the routine returns.

FIGURE 12 is a flow diagram showing a routine for analyzing click
 30 stream paths 200 for use in the method of FIGURE 9. The purpose of this routine is to quantify the data stream paths into objectified measures. The data stream paths are analyzed through analytic processing (blocks 201-203) and data mining (blocks 204-207). Other click stream path analysis techniques are feasible.

Analytic processing involves executing queries on the click stream paths stored in the click streams database 36 (shown in FIGURE 2). The queries are preferably written in a standardized query language, such as the Structured Query Language (SQL) and can be single or multiple statement queries. For example, a single statement query for determining a hierarchical listing of the effective sales entry points into a vendor Web site is:

```

5      Select $, Entry-point
        From Click
        Where $ > 200
10     Group by Entry-point
        Order by $

```

where *Entry-point* is the initial Web site in the data stream path and *Click* is the click streams database 36. This query statement returns those Web site entry points from the click streams database 36 whose sales exceeding \$200.00. As a further example, a multiple statement query for determining combined book and video sales sold from the same product category:

```

      Select $, Prod_book, Id
        From Click
        Where $ > 200
20     Insert into Temp1
      Select $, Prod_video, Id
        From Click
        Where $ > 200
      Insert into Temp2
25     Select Book, Video, $, Id
        From Temp1, Temp2
        Where Id, Temp1 and Temp2
        And where Book.Prod.Id = Video.Prod.Id

```

where *Click* is the click streams database 36, *Prod_book* and *Prod_video* are product types, *Id* is a product category, *Temp1* and *Temp2* store interim query results, and the *Book.Prod.Id* and *Video.Prod.Id* are specific instances of book and video products falling into the same product category. These query statements return those book and video sales categories in the click streams database 36 whose sales exceed \$200.00.

35 Data mining involves creating a matrix 90 (shown in FIGURE 6) of independent and dependent variables 91-97 and determining their relative weights. Data mining involves creating numerical correlations between

unique data entries in the click stream paths using advanced statistical analysis tools, such as the Oracle Darwin data mining tool, licensed by Oracle Corporation, Redwood Shores, California.

Thus, if analytical processing is selected (block 201), the pre-defined
5 query statements are retrieved and executed against the click streams database 36 (block 202) and the results are analyzed (block 203). Similarly, if data mining is selected (block 204), an independent variable 97 and dependent variables 91-96 are selected (block 205). The relative weightings of the dependent variables 91-96 are generated (block 206) and the results analyzed
10 (block 207). The routine then returns.

FIGURE 13 is a flow diagram showing a routine for validating e-commerce business models 210 for use in the method of FIGURE 9. The purpose of this routine is to determine whether the e-commerce business models currently in use require updating and reevaluation. Behavioral shifts
15 are quantitative measures that equate performance to behavior. For instance, an increase in purchasing as measured by dollar revenue might indicate effective presentation models 39 (shown in FIGURE 2). Similarly, longer sessions as measured by click stream path lengths with long series of unsuccessful searches might indicate poor presentation models 39.

20 Weighting shifts are changes in the dependent variables 91-96 that exceed some pre-determined thresholds. Changes to the demographic models 38 (shown in FIGURE 2) represent shifts in the customer segments that occur relatively slowly over time.

Thus, behavioral shifts (block 211) indicate a need to evaluate the
25 presentation models 39 (block 212) while shifts in the weightings of dependent variables 91-96 (block 213) indicate a need to evaluate the demographic models 38 (block 214). Upon the completion of the evaluations, the routine returns.

Using the approach of the present invention, e-commerce business
30 models, including demographic and presentation models, can be continually evaluated and, if necessary, regenerated in an on-the-fly basis using click stream analysis. The raw click stream paths through a Web site are classified, analyzed and correlated to quantitative measures. These measures can be used

to validate the e-commerce business models while data is still fresh and relevant.

While the invention has been particularly shown and described as referenced to the embodiments thereof, those skilled in the art will understand
5 that the foregoing and other changes in form and detail may be made therein without departing from the spirit and scope of the invention.

CLAIMS

- 1 1. A system (10) for transacting electronic commerce via a
2 hierarchically structured Web site with click stream feedback, comprising:
3 a server (21) serving a plurality of individual Web pages (32)
4 structured in a hierarchical manner as a Web site (60), each Web page (32)
5 comprising one or more hyperlinks (50) selectable by a user to provide at least
6 one of another Web page (32) and content;
7 a click stream analyzer (22) collecting a click stream (36) for each user
8 session on the Web site (60), the click stream (36) comprising data entries
9 recording one or more of the hyperlinks (50) selected during the user session
10 and processing each collected click stream (36), comprising:
11 a classifier (112) classifying the collected click stream (36) into
12 one or more pre-defined categories (90) describing characteristics shared by a
13 plurality of the click streams (36); and
14 an analyzer (113) analyzing the collected click stream (36),
15 comprising at least one of:
16 an analytic processor (116) executing one or more
17 structured queries (50) on the collected click streams (36) based on at least one
18 of the data entries and the shared characteristics; and
19 a data mining tool (117) performing data mining on the
20 collected click streams (36) by assigning an independent variable (97) and at
21 least one dependent variable (91) and determining the relative weightings (90)
22 thereon.
- 1 2. A system according to Claim 1, further comprising:
2 executable scripts (32) embedded within one or more of the Web pages
3 (132); and

4 an interpreter (118) within the server (11) executing the executable
5 scripts (32) as each Web page (32) is served.

1 3. A system according to Claim 1, wherein the Web pages (32)
2 are written in a tag-delimited page description language and the executable
3 scripts (32) are written in an interpretable server-executable language.

1 4. A system according to Claim 1, further comprising:
2 a data reducer (111) reducing the size of the collected click streams
3 (36), comprising at least one of:
4 a compressor (111) compressing the collected click streams
5 (36) by removing repetitious data entries (99); and
6 an inference engine (111) generating inferences from the data
7 entries (99) of each collected click stream (36).

1 5. A system according to Claim 1, further comprising:
2 one or more business models (37) maintained in a database (24) and
3 describing at least one of a demographic model (38) and a presentation model
4 (39), each such business model (37) being incorporated into the Web pages
5 (32); and
6 a validator (114) validating each such business model (37) by
7 comparing the business model (37) to the processed click streams (36),
8 comprising at least one of:
9 a presentation model evaluator (114) identifying behavioral
10 shifts from results of the structured queries (50); and
11 a demographic model evaluator (114) determining shifts in the
12 relative weightings of the dependent variables (91).

1 6. A system according to Claim 5, further comprising:
2 a modeler (115) generating a new business model (37) when at least
3 one of the behavioral shifts and relative weighting shifts exceed a pre-
4 determined quantitative threshold.

1 7. A method for transacting electronic commerce via a
2 hierarchically structured Web site with click stream feedback, comprising:

3 serving a plurality of individual Web pages (32) structured in a
4 hierarchical manner as a Web site (60), each Web page (32) comprising one or
5 more hyperlinks (50) selectable by a user to provide at least one of another
6 Web page (32) and content;

7 collecting a click stream (36) for each user session on the Web site
8 (60), the click stream (36) comprising data entries recording one or more of
9 the hyperlinks (50) selected during the user session;

10 processing each collected click stream (36), comprising:

11 classifying the collected click stream (36) into one or more pre-
12 defined categories (96) describing characteristics shared by a plurality of the
13 click streams (36); and

14 analyzing the collected click stream (36), comprising at least
15 one of:

16 executing one or more structured queries (56) on the
17 collected click streams (36) based on at least one of the data entries and the
18 shared characteristics; and

19 performing data mining on the collected click streams
20 (36) by assigning an independent variable (97) and at least one dependent
21 variable (91) and determining the relative weightings (90) thereon.

1 8. A method according to Claim 7, further comprising:
2 embedding executable scripts (32) within one or more of the Web
3 pages (32); and
4 executing the executable scripts (32) as each Web page (32) is served.

1 9. A method according to Claim 7, wherein the Web pages (32)
2 are written in a tag-delimited page description language and the executable
3 scripts (32) are written in an interpretable server-executable language.

1 10. A method according to Claim 7, further comprising:
2 reducing the size of the collected click streams (36), comprising at
3 least one of:
4 compressing the collected click streams (36) by removing
5 repetitious data entries (99); and

6 generating inferences from the data entries of each collected
7 click stream (36).

1 11. A method according to Claim 7, further comprising:
2 maintaining one or more business models (37) describing at least one
3 of a demographic model and a presentation model (38), each such business
4 model (37) being incorporated into the Web pages (32); and
5 validating each such business model (37) by comparing the business
6 model (37) to the processed click streams (36), comprising at least one of:
7 identifying behavioral shifts from results of the structured
8 queries (50); and
9 determining shifts in the relative weightings of the dependent
10 variables (91).

1 12. A method according to Claim 11, further comprising:
2 generating a new business model (37) when at least one of the
3 behavioral shifts and relative weighting shifts exceed a pre-determined
4 quantitative threshold.

1 13. A computer-readable storage medium holding code for
2 performing the method according to Claims 7, 8, 9, 10, 11, or 12.

1 14. A system for dynamically evaluating an electronic commerce
2 business model (37) through click stream analysis, comprising:
3 a Web site (60) comprising a plurality of related Web pages (32)
4 structured in a hierarchical manner (60) and incorporating an electronic
5 commerce business model (37), each Web page (32) comprising one or more
6 hyperlinks (50) selectable by a user;
7 a database (24) storing a plurality of data vectors (80) that each
8 represent a click stream path (50) through the Web site (32), each data vector
9 (80) comprising a set of data entries (81) which each corresponds to Web
10 content (33) selected via the hyperlinks in the related Web pages (32); and
11 a click stream (22) analyzer, comprising:
12 a classification module (112) classifying each click stream path
13 (50) based on at least one such data entry (81) in the data vector (80), the

14 classified click stream (50) path sharing at least one common characteristic
15 with one or more other click stream paths (50);
16 an analyzer module (113) analyzing the classified click stream
17 paths (50) according to a pre-defined evaluation procedure directed at
18 determining at least one of efficacy of presentation (39) and shifts in
19 demography (38); and
20 a comparison module (114) comparing the electronic
21 commerce business model (37) to the classified click stream paths analysis.

1 15. A system according to Claim 13, the click stream (36) analyzer
2 further comprising:
3 a data reduction module (111) reducing the size of the data vectors (80)
4 prior to classification.

1 16. A system according to Claim 14, further comprising:
2 the data reduction module (111) compressing the data vectors (80) to
3 reduce the data vector sizes by removing each data entry (81) corresponding to
4 a selected Web page (32) which is repeated within the data vector (80).

1 17. A system according to Claim 14, further comprising:
2 the data reduction module (111) generating inferences from at least one
3 data entry (81) in the data vector (80) to reduce the data vector sizes.

1 18. A system according to Claim 13, wherein the at least one
2 common characteristic is selected from the set of characteristics comprising
3 completed orders, path length, Boolean operations, cross-sales, aborted orders,
4 origin Web site, exit Web site, product, styles, cause and effect, and search
5 category.

1 19. A system according to Claim 13, wherein the pre-defined
2 evaluation procedure further comprises:
3 an analytic processing module (116) analytically processing the click
4 stream paths (50) by performing a series of one or more queries on the data
5 vectors (80).

1 20. A system according to Claim 13, wherein the pre-defined
2 evaluation procedure further comprises:
3 a data mining module (117) performing data mining on the data
4 vectors (80).

1 21. A system according to Claim 19, further comprising:
2 the data mining module (117) assigning at least one independent
3 variable (97) based on one such data entry in the data vectors, assigning one or
4 more dependent variables (91) based on the remaining data entries in the data
5 vectors (80), and determining relative weightings for the dependent variables
6 (91) through an analysis of the at least one independent variable (97).

1 22. A system according to Claim 13, wherein the electronic
2 commerce business model (37) further comprises a performance model, the
3 system further comprising:
4 a validation module (114) evaluating the performance model against
5 the classified click stream paths analysis.

1 23. A system according to Claim 13, wherein the electronic
2 commerce business model (37) further comprises a demographic model, the
3 system further comprising:
4 a validation module (114) evaluating the demographic model against
5 the classified click stream paths analysis.

1 24. A system according to Claim 13, further comprising:
2 the click stream analyzer (22) setting a validation threshold for the
3 electronic commerce business model (37) being validated; and
4 a modeler module (115) generating a new electronic commerce
5 business model (37) when the validation threshold is exceeded in the
6 comparison to the classified click stream paths analysis.

1 25. A method for dynamically evaluating an electronic commerce
2 business model (37) through click stream analysis, comprising:
3 incorporating an electronic commerce business model (37) into a Web
4 site (60) comprising a plurality of related Web pages (32) structured in a

5 hierarchical manner (60), each Web page (32) comprising one or more
6 hyperlinks (50) selectable by a user;
7 storing a plurality of data vectors (80) that each represent a click
8 stream path (50) through the Web site (32), each data vector (80) comprising a
9 set of data entries (81) which each corresponds to Web content (33) selected
10 via the hyperlinks in the related Web pages (32);
11 classifying each click stream path (50) based on at least one such data
12 entry (81) in the data vector (80), the classified click stream path (50) sharing
13 at least one common characteristic with one or more other click stream paths
14 (50);
15 analyzing the classified click stream paths (50) according to a pre-
16 defined evaluation procedure directed at determining at least one of efficacy of
17 presentation (39) and shifts in demography (38); and
18 comparing the electronic commerce business model (37) to the
19 classified click stream paths analysis.

1 26. A method according to Claim 24, further comprising:
2 reducing the size of the data vectors (80) prior to classification.

1 27. A method according to Claim 25, further comprising:
2 compressing the data vectors to reduce the data vector (80) sizes by
3 removing each data entry (81) corresponding to a selected Web page (32)
4 which is repeated within the data vector (80).

1 28. A method according to Claim 25, further comprising:
2 generating inferences from at least one data entry (81) in the data
3 vector (80) to reduce the data vector sizes.

1 29. A method according to Claim 24, wherein the at least one
2 common characteristic is selected from the set of characteristics comprising
3 completed orders, path length, Boolean operations, cross-sales, aborted orders,
4 origin Web site, exit Web site, product, styles, cause and effect, and search
5 category.

1 30. A method according to Claim 24, wherein the pre-defined
2 evaluation procedure further comprises:

3 analytically processing the click stream paths (50) by performing a
4 series of one or more queries on the data vectors (80).

1 31. A method according to Claim 24, wherein the pre-defined
2 evaluation procedure further comprises:
3 performing data mining on the data vectors (80).

1 32. A method according to Claim 30, further comprising:
2 assigning at least one independent variable (97) based on one such data
3 entry in the data vectors;
4 assigning one or more dependent variables (91) based on the remaining
5 data entries in the data vectors (80); and
6 determining relative weightings for the dependent variables (91)
7 through an analysis of the at least one independent variable (97).

1 33. A method according to Claim 24, wherein the electronic
2 commerce business model (37) further comprises a performance model, the
3 method further comprising:
4 evaluating the performance model against the classified click stream
5 paths analysis.

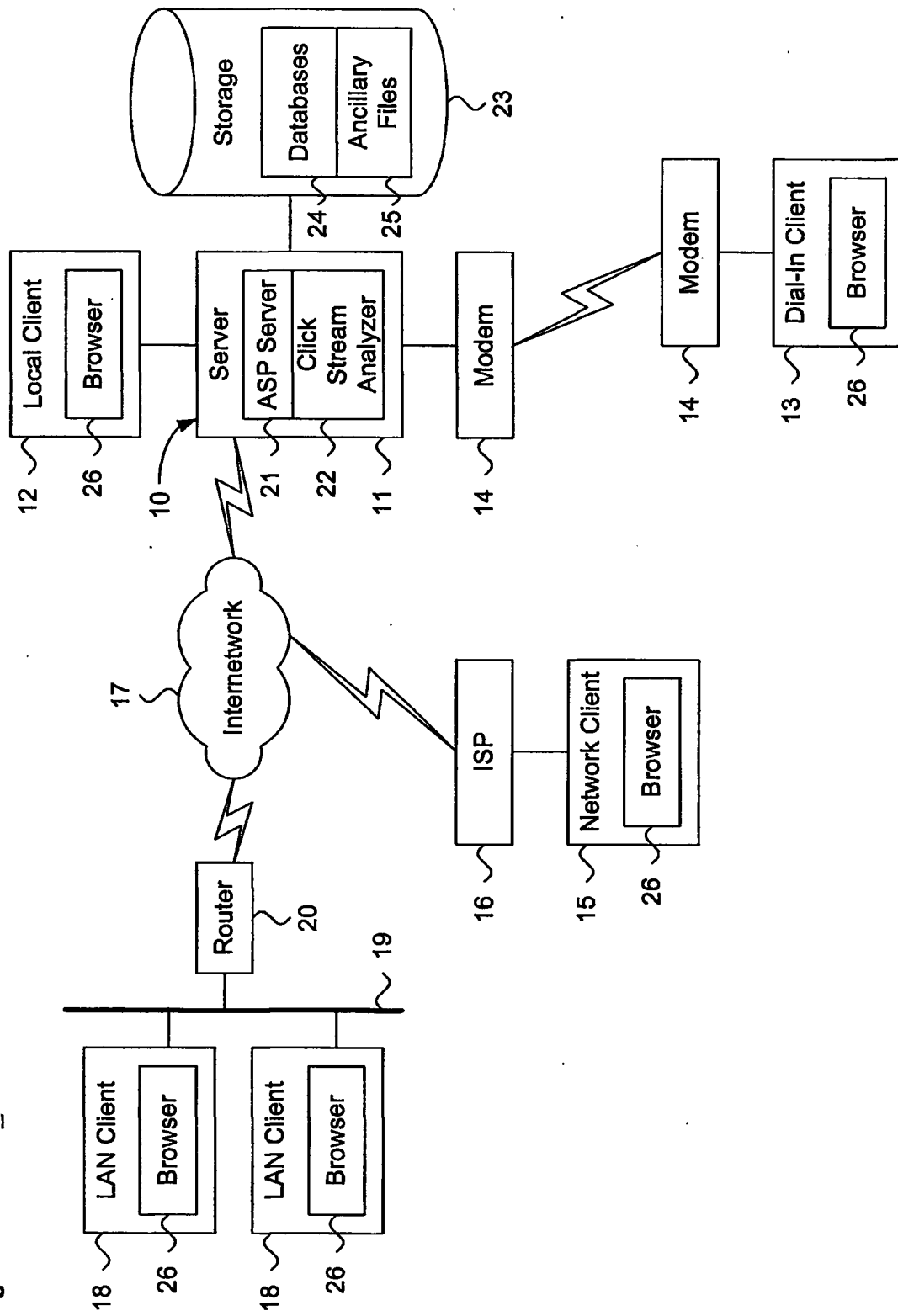
1 34. A method according to Claim 24, wherein the electronic
2 commerce business model (37) further comprises a demographic model, the
3 method further comprising:
4 evaluating the demographic model against the classified click stream
5 paths analysis.

1 35. A method according to Claim 24, further comprising:
2 setting a validation threshold for the electronic commerce business
3 model (37) being validated; and
4 generating a new electronic commerce business model (37) when the
5 validation threshold is exceeded in the comparison to the classified click
6 stream (36) paths analysis.

- 1 36. A computer-readable storage medium holding code for
- 2 performing the method according to Claims 24, 25, 26, 27, 28, 29, 30, 31, 32,
- 3 33 or 34.

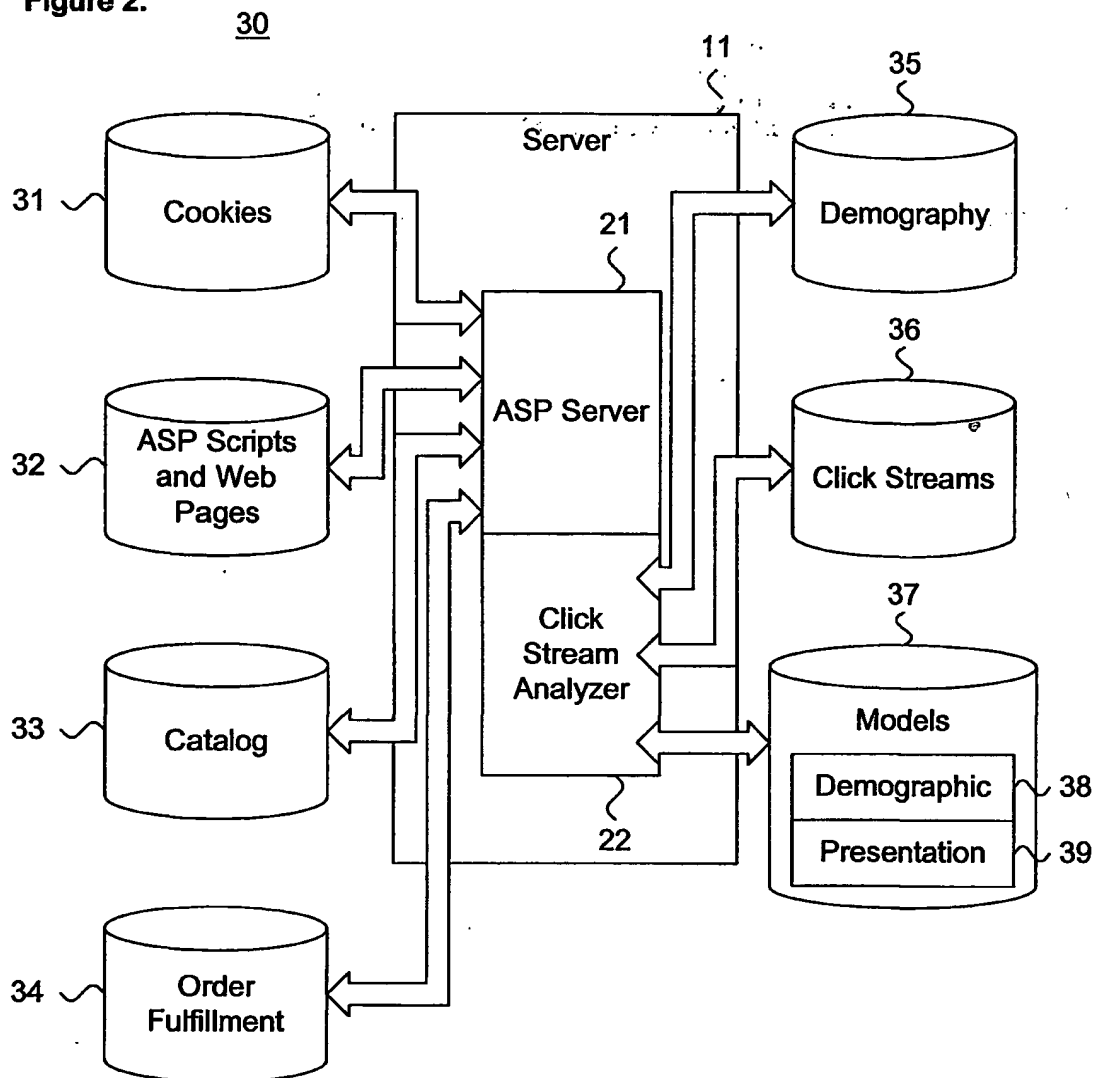
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Figure 1. 9



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Figure 2.



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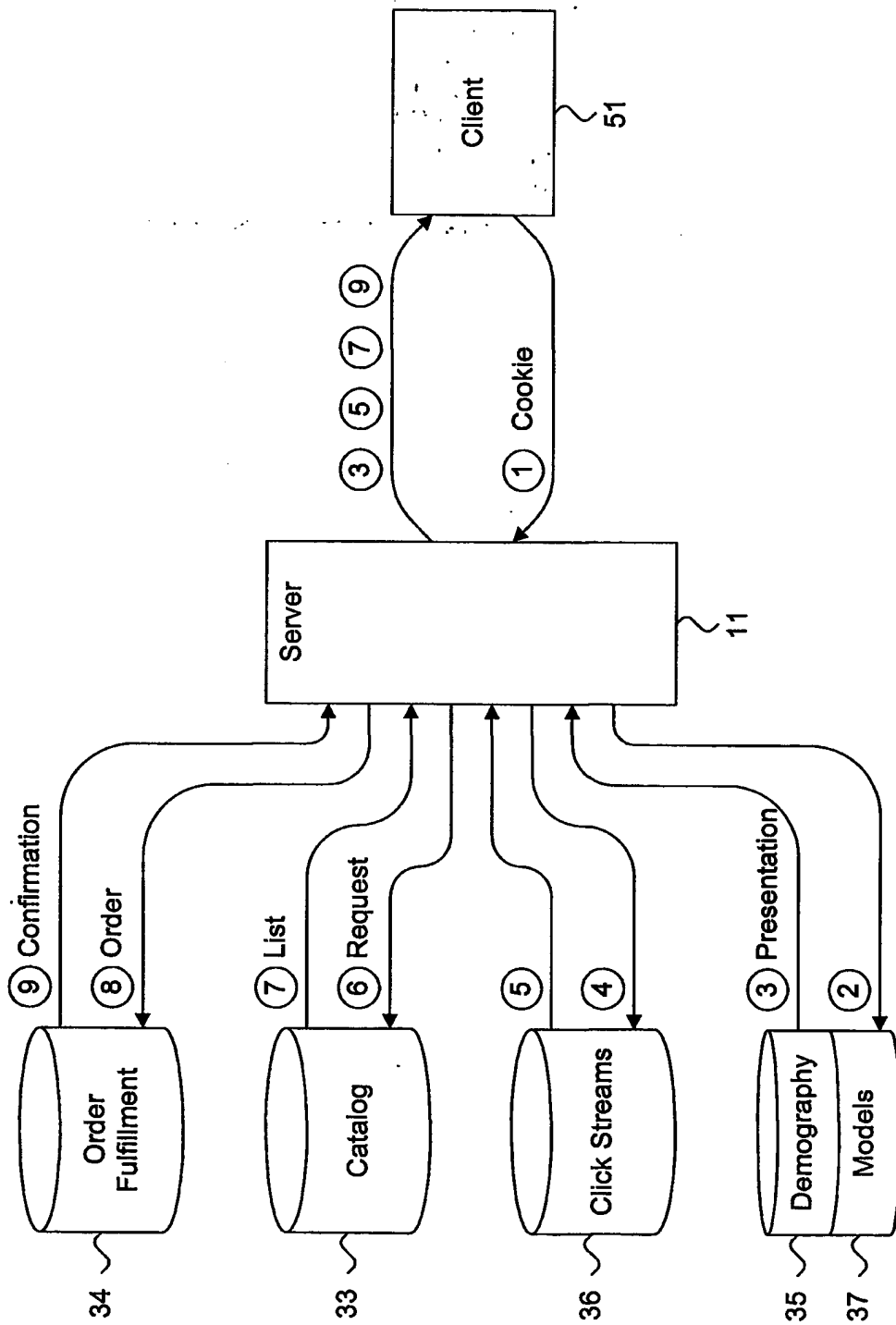


Figure 3.

50

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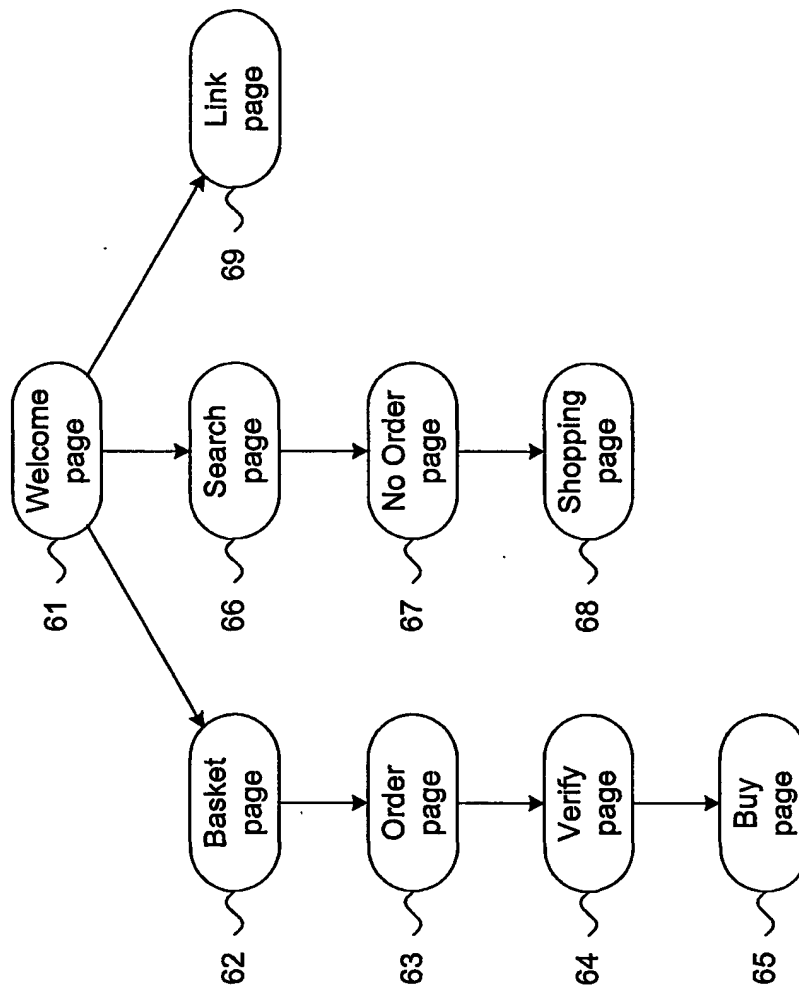


Figure 4.

60

Figure 5.

80

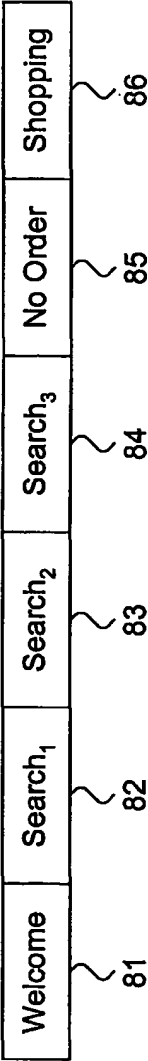


Figure 6.

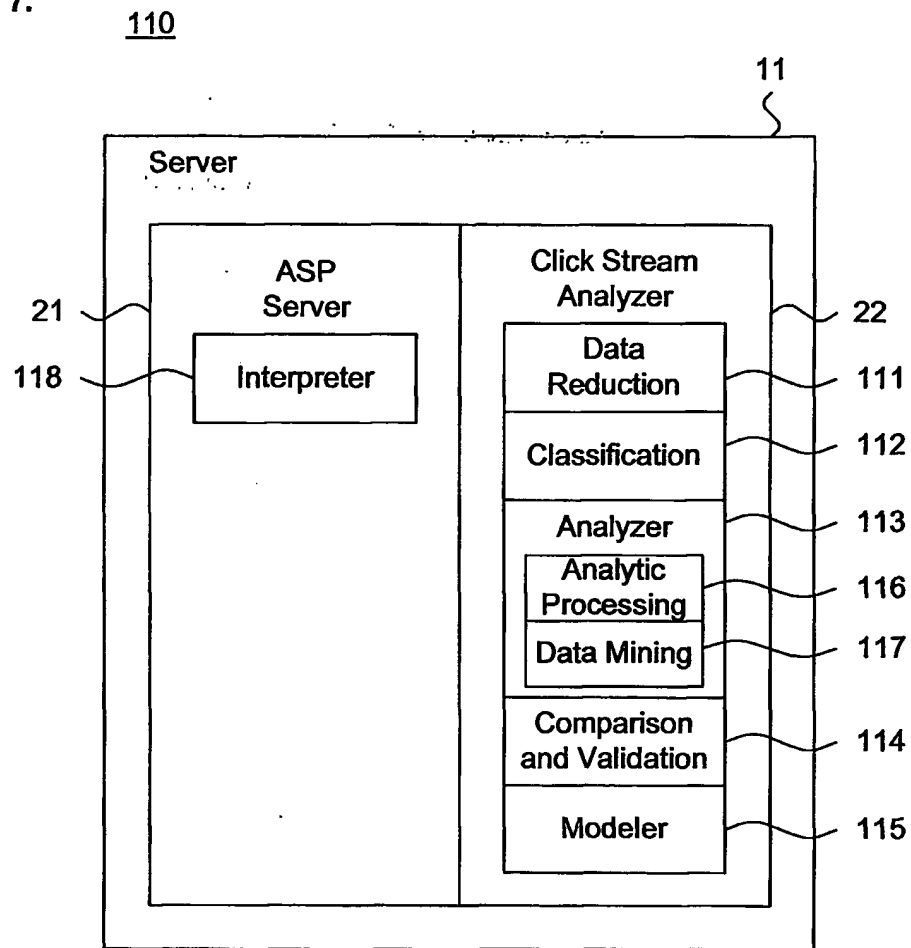
90

Date	Book \$	Video \$	Music \$	Partner \$	EP	Total \$
6/1/00	0.4	0.2	0.15	0.05	0.1	1.0
7/1/00	0.3	0.3	0.2	0.1	0.1	1.0

91 92 93 94 95 96 97 98 99 100

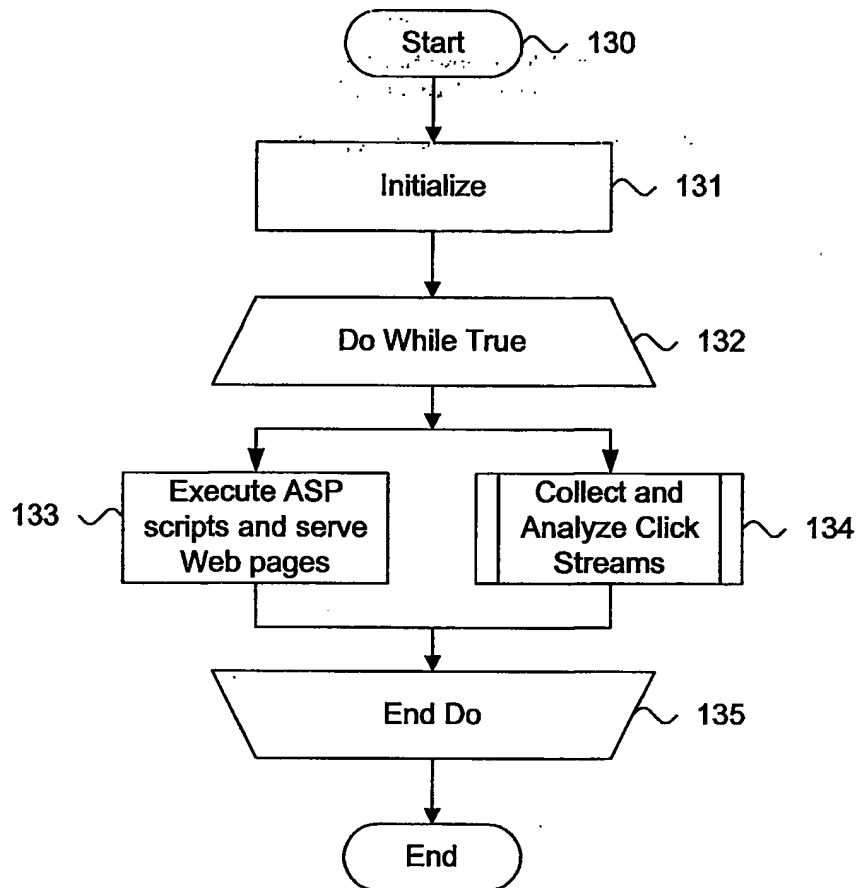
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Figure 7.



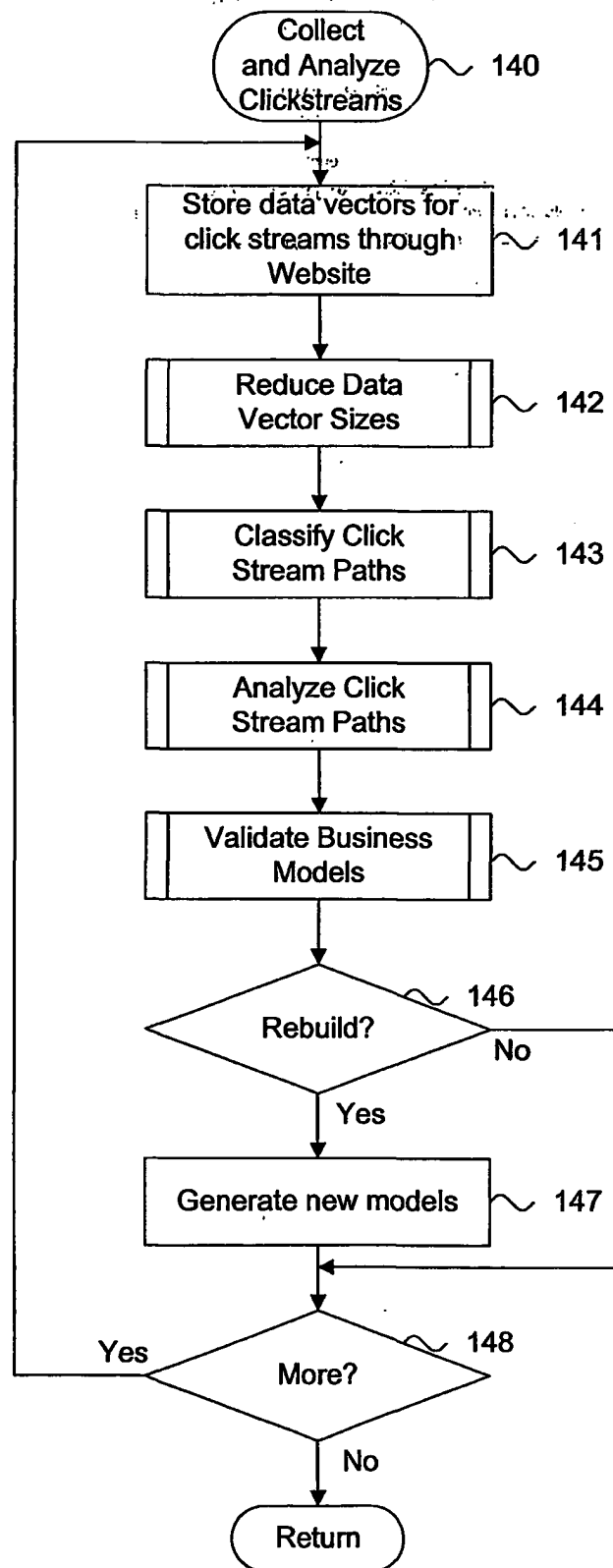
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Figure 8.



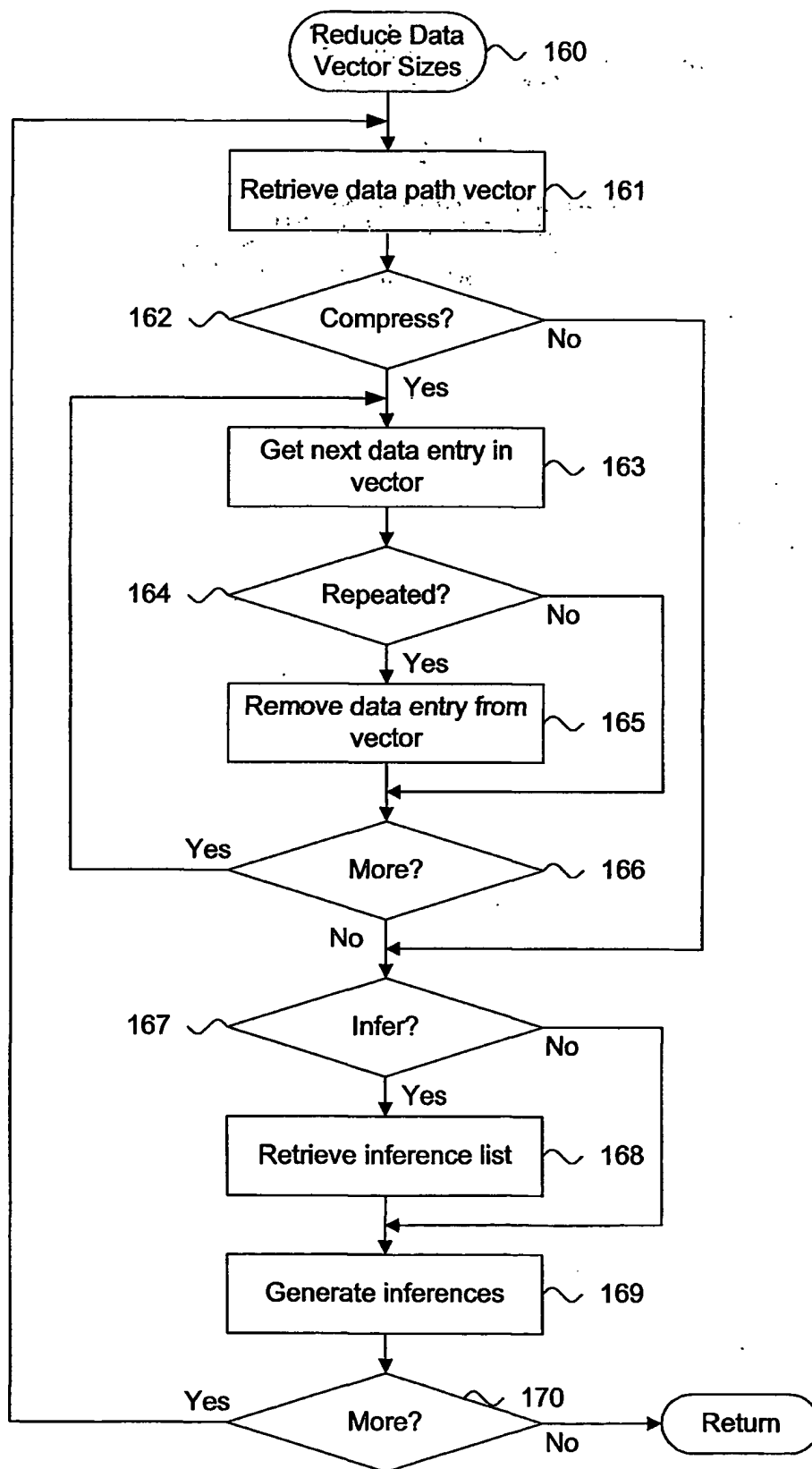
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Figure 9.



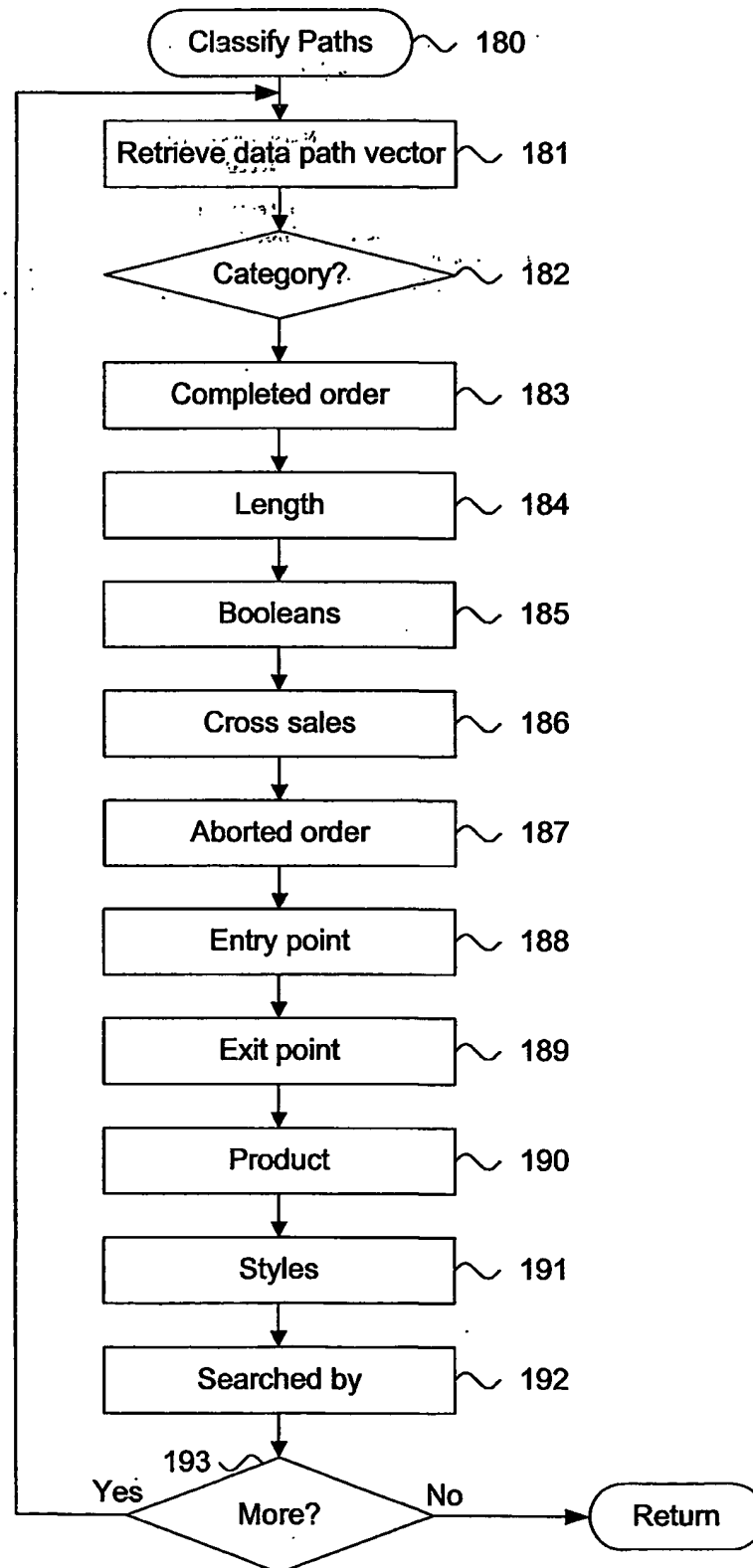
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Figure 10.



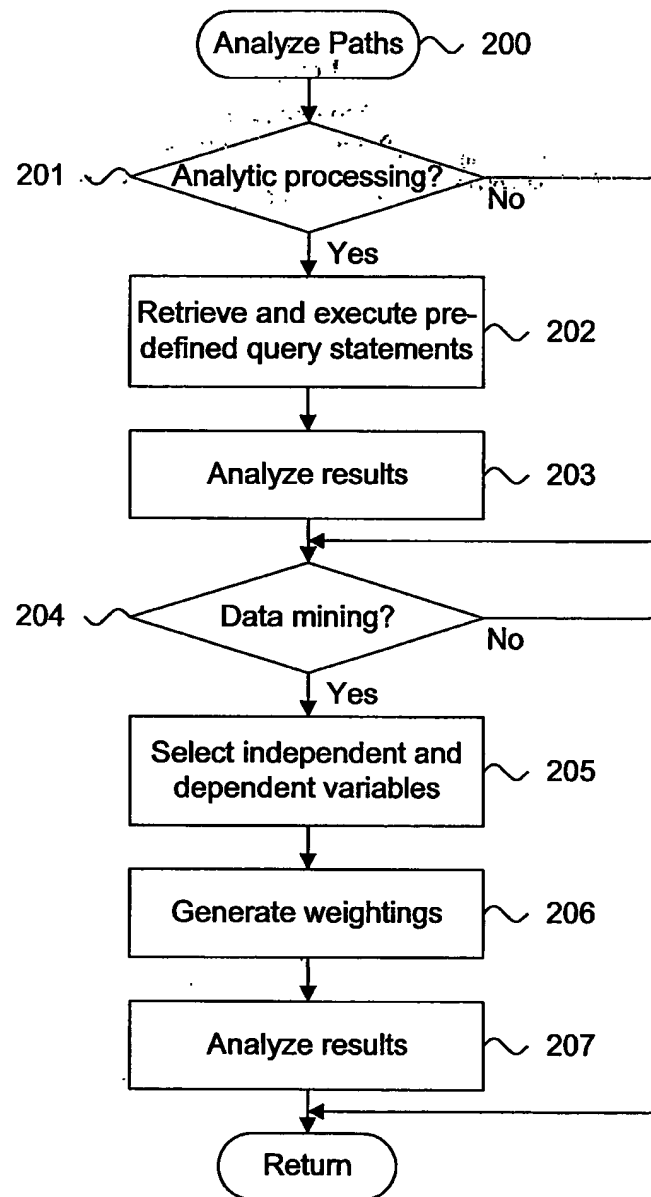
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Figure 11.



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Figure 12.



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Figure 13.

